

§ 25-9-205. Use or disposition of collateral permissible.

(a) When security interest not invalid or fraudulent. – A security interest is not invalid or fraudulent against creditors solely because:

- (1) The debtor has the right or ability to:
 - a. Use, commingle, or dispose of all or part of the collateral, including returned or repossessed goods;
 - b. Collect, compromise, enforce, or otherwise deal with collateral;
 - c. Accept the return of collateral or make repossessions; or
 - d. Use, commingle, or dispose of proceeds; or
- (2) The secured party fails to require the debtor to account for proceeds or replace collateral.

(b) Requirements of possession not relaxed. – This section does not relax the requirements of possession if attachment, perfection, or enforcement of a security interest depends upon possession of the collateral by the secured party. (1945, c. 196, s. 7; 1965, c. 700, s. 1; 1975, c. 862, s. 7; 2000-169, s. 1.)